

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 OES-06 EB-08 COME-00 CIAE-00
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FM AMEMBASSY ASUNCION

TO SECSTATE WASHDC 9951

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ

AMEMBASSY MONTEVIDEO

AMEMBASSY SANTIAGO

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L ASUNCION 1640

E.O. 11652: XGDS-1

TAGS: PFOR, PA, BR, AR, US, ENRG, ETRD

SUBJ: PRESIDENT VIDELA VISITS PARAGUAY APRIL 20-22

REF: ASUNCION 1580

SUMMARY. DURING PRESIDENT VIDELA'S STATE VISIT TO
PARAGUAY AN IMPORTANT PROBLEM WHICH HAD HELD UP PLANNING
AND CONSTRUCTION OF THE YACIRETA HYDROELECTRIC PROJECT
WAS SUCCESSFULLY RESOLVED. END SUMMARY.

1. ALTHOUGH THERE WAS THE USUAL POMP AND CIRCUMSTANCE
CONNECTED WITH A STATE VISIT, IT SEEMS THAT A SERIOUS
SUBSTANTIVE PROBLEM BETWEEN THE TWO COUNTRIES WAS TACKLED
AND SOLVED. THE SOLUTION OF THIS PROBLEM WAS THE
PRINCIPAL REASON FOR THE VISIT, ACCORDING TO MINISTER
OF COMMERCE AND INDUSTRY UGARTE CENTURION (PROTECT
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SOURCE). HE TOLD ME IN CONFIDENCE THAT THE YACIRETA
HYDROELECTRIC PROJECT JOINTLY PLANNED BY ARGENTINA
AND PARAGUAY HAD DEVELOPED A SERIOUS SNAG AND THAT
INTERNATIONAL FINANCIAL INSTITUTIONS HAD REFUSED TO
CONSIDER THE PROJECT UNLESS CERTAIN BASIC CHANGES
WERE MADE. TO REDUCE THE PROJECT COST BY THREE
HUNDRED MILLION DOLLARS THE INTERNATIONAL ORGANIZA-

TIONS INSISTED THAT THE EARTH DAM BE MOVED WHICH WOULD RESULT IN FLOODING OF AN ADDITIONAL 700 SQUARE KILOMETERS OF PARAGUAYAN SOIL TO A TOTAL OF 950 SQUARE KILOMETERS (FLOODING ON THE ARGENTINE SIDE WILL AMOUNT TO 200 SQUARE KILOMETERS). PRESIDENT STROESSNER, FOR POLITICAL REASONS, WAS UNWILLING TO UNDERTAKE THIS STEP BUT AFTER PROLONGED DISCUSSIONS WITH PRESIDENT VIDELA HE FINALLY AND RELUCTANTLY AGREED. TO OBTAIN A CONSENSUS AMONG TOP LEADERS, STROESSNER CALLED A COUNCIL OF MINISTERS MEETING ON APRIL 22, THE DAY OF VIDELA'S DEPARTURE, WHICH DELAYED THE FORMAL SIGNING CEREMONY OF A NUMBER OF ROUTINE AGREEMENTS BY ONE HOUR. WITH THIS PROBLEM RESOLVED THE ARGENTINES LEFT SATISFIED AND HOPEFUL THAT INTERNATIONAL FINANCING OF YACIRETA CAN NOW BE OBTAINED.

2. ACCORDING TO A NUMBER OF HIGHLY-PLACED SOURCES, THE QUESTION OF THE CORPUS HYDROELECTRIC DAM, THE SECOND ARGENTINE-PARAGUAYAN PROJECT, WAS NOT DISCUSSED. AS DEPARTMENT IS AWARE, THE CORPUS PROJECT COULD INTERFERE WITH THE ONGOING CONSTRUCTION OF ITAIPU, THE JOINT BRAZILIAN-PARAGUAYAN PROJECT. IN HIS MAJOR SPEECH, PRESIDENT STROESSNER MADE IT CLEAR THAT ONLY YACIRETA WAS A HIGH PRIORITY PROJECT. A NUMBER OF HIGH GOVERNMENT OFFICIALS TOLD ME THAT THE CORPUS PROJECT DOES NOT HAVE THE SAME PRIORITY IN EITHER ARGENTINE OR PARAGUAYAN PLANNING. IN THE GOP'S VIEW, IT COULD BE BUILT LATER ON PROVIDED ITS

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CONSTRUCTION WOULD NOT JEOPARDIZE PARAGUAY'S TWO HYDROELECTRIC DAMS AT ACARAY AND A POSSIBLE FURTHER DAM SITE ON THE MONDAY RIVER IN WHICH REYNOLDS INTERNATIONAL, INC., IS INTERESTED.

3. COMMENT: I HAVE CONCLUDED THAT THE CONSTANT REFERENCES TO THE CORPUS PROJECT BY ARGENTINE AND PARAGUAYAN OFFICIALS AND BY THE NEWSPAPERS OF THE TWO COUNTRIES ARE DESIGNED PRINCIPALLY FOR BRAZILIAN CONSUMPTION. THE ARGENTINES SEE THE DISCUSSION OF CORPUS AS A SPRINGBOARD FOR SETTING UP TRILATERAL TALKS INCLUDING BRAZIL. THE PARAGUAYANS RAISE IT IN THE HOPE OF GETTING ADDITIONAL CONCESSIONS FROM THE BRAZILIANS BY PLAYING CORPUS AGAINST ITAIPU. AS SEEN FROM HERE, IT SEEMS THAT THE BRAZILIANS REMAIN UNPERTURBED AND HAVE STEADFASTLY REJECTED BOTH PROPOSITIONS. THEY ARE NOT WILLING TO GIVE IN TO ARGENTINA BY AGREEING TO TRILATERAL TALKS AND THEY ARE RESISTING PARAGUAYAN REQUESTS FOR FURTHER PAYOFFS ON ITAIPU.

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